



The Morning Email: US & Germany



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Want something added? Let me know: jgoulding@ghco.com

Disclaimer: All information within this newsletter is meant for internal use at GH Trader's LLC, only. All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

Jim Goulding, jgoulding@ghco.com

The Morning Email, US&GER



Quotes 1

| | | 32 nds | | | | | | | |
|-------|---------|--------|---------|---------|---------|--------|-------------|-------------|--|
| | Last | Net | Hi | Low | Open | Volume | Yest Volume | SYM NAME | |
| TUAZ7 | 103.180 | 0.0 | 103.187 | 103.165 | 103.172 | 14,179 | 149,828 | 2y Futures | |
| FVAZ7 | 107.025 | 0.0 | 107.040 | 106.315 | 107.015 | 31,404 | 415,371 | 5y Futures | |
| TYAZ7 | 109.140 | 0.0 | 109.160 | 109.100 | 109.135 | 79,110 | 1,016,739 | 10y Futures | |
| USAZ7 | 111.140 | 0 | 111.160 | 111.090 | 111.110 | 14,447 | 294,466 | 30y Futures | |

**US
Futures
Market**



| | | 32 nds | | | | | | | |
|--------|---------|--------|---------|---------|---------|--------|--|--|--|
| | Last | Net | Hi | Low | Open | Volume | | | |
| BUS02P | 100.040 | 0.7 | 100.045 | 100.025 | 100.032 | 2y | | | |
| BUS05P | 100.060 | 18.7 | 100.072 | 100.032 | 100.040 | 5y | | | |
| BUS10P | 101.150 | 1.5 | 101.170 | 101.120 | 101.140 | 10y | | | |
| BUS30P | 102.230 | 3 | 102.250 | 102.195 | 102.215 | 30y | | | |

**US Cash
Treasury
Market**

| | | Decimal | | | | | | | |
|--------|-------|---------|-------|-------|-------|-----------|-------------|----------|--|
| | Last | Net | Hi | Low | Open | Volume | Yest Volume | SYM NAME | |
| BUS02Y | 3.931 | (0.80) | 3.968 | 3.919 | 3.964 | 2y Yield | | | |
| BUS05Y | 4.207 | (0.50) | 4.231 | 4.196 | 4.222 | 5y Yield | | | |
| BUS10Y | 4.559 | (0.20) | 4.579 | 4.551 | 4.573 | 10y Yield | | | |
| BUS30Y | 4.824 | (0.30) | 4.842 | 4.82 | 4.839 | 30y Yield | | | |

| | | Decimal | | | | | | | |
|------|--------|---------|--------|--------|--------|---------|-------------|------------|--|
| | Last | Net | Hi | Low | Open | Volume | Yest Volume | SYM NAME | |
| DGZ7 | 103.33 | 20.00 | 103.35 | 103.29 | 103.30 | 173,226 | 688,839 | Schatz(2Y) | |
| DLZ7 | 107.58 | 40.00 | 107.63 | 107.47 | 107.50 | 196,870 | 602,346 | Bobl(5Y) | |
| DBZ7 | 112.54 | 11.00 | 112.59 | 112.31 | 112.38 | 367,881 | 1,244,571 | Bund(10Y) | |

**German
Futures
Markets**



| | Price | Yield | | | Maturity | SYM NAME | |
|------------------|--------|-------|--------|-----------|-----------|--|--|
| | Last | Last | Coupon | | | | |
| T.US.DE040P0909* | 99.90 | 4.036 | 4.000 | 9/11/2009 | 2 yr CTD | German Cash Treasury Market | |
| T.US.DE040P0412 | 103.44 | 4.173 | 5.000 | 7/4/2012 | 5 yr CTD | | |
| T.US.DE040P0716 | 97.71 | 4.310 | 4.000 | 7/4/2016 | 10 yr CTD | | |
| DEP2P | 99.93 | 4.036 | 4.000 | 9/11/2009 | 2yr OTR | | |
| DEP5P | 99.25 | 4.180 | 4.000 | 4/13/2012 | 5yr OTR | | |
| DEP10P | 99.25 | 4.344 | 4.250 | 7/4/2017 | 10yr OTR | | |

Y = Yield
CTD = Cheapest to Deliver
DE = German Country Code

Quotes 2

This page provided a more detailed look at the quotes for the German Bonds

German Bonds are quoted in decimal, not 32nds.



| | Decimal | | | | | |
|------|---------|--------|--------|--------|--------|-------|
| | Bid | Ask | Last | Hi | Low | Chng |
| DGZ7 | 103.33 | 103.33 | 103.33 | 103.35 | 103.29 | 20.00 |
| DLZ7 | 107.58 | 107.58 | 107.58 | 107.63 | 107.47 | 40.00 |
| DBZ7 | 112.53 | 112.54 | 112.54 | 112.59 | 112.31 | 11.00 |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo |
|------|-------|-------|--------|-------|-------|
| DGZ7 | 4.231 | 4.229 | 4.229 | 4.252 | 4.218 |
| DLZ7 | 4.285 | 4.284 | 4.285 | 4.309 | 4.273 |
| DBZ7 | 4.423 | 4.421 | 4.421 | 4.448 | 4.415 |

| | Y Bid | Y Ask | Y Last | Y Hi | Y Lo | Chng |
|------------------|-------|-------|--------|-------|-------|------|
| T.US.DE040P0909* | 4.019 | 4.080 | 4.036 | 4.036 | 4.052 | |
| T.US.DE040P0412 | 4.157 | 4.212 | 4.173 | 4.173 | 4.182 | |
| T.US.DE040P0716 | 4.303 | 4.349 | 4.310 | 4.310 | 4.318 | |
| DEP2P | 4.052 | 4.036 | 4.036 | 4.080 | 4.019 | 4 |
| DEP5P | 4.190 | 4.180 | 4.180 | 4.215 | 4.168 | 12 |
| DEP10P | 4.350 | 4.344 | 4.344 | 4.382 | 4.337 | 30 |

| SYM NAME | |
|------------|----------------|
| Schatz(2Y) | German Futures |
| Bobl(5Y) | |
| Bund(10Y) | |

| | |
|------------|----------------|
| Schatz(2Y) | German Futures |
| Bobl(5Y) | |
| Bund(10Y) | |

| | |
|-----------|-------------|
| 2 yr CTD | German Cash |
| 5 yr CTD | |
| 10 yr CTD | |
| 2yr OTR | |
| 5yr OTR | |
| 10yr OTR | |

| | Decimal | | | | | |
|------------------|---------|--------|-------|--------|--------|-------|
| | Bid | Ask | Last | Hi | Low | Chng |
| T.US.DE040P0909* | 99.90 | 99.93 | | 99.96 | 99.85 | 4.00 |
| T.US.DE040P0412 | 103.44 | 103.48 | | 103.55 | 103.31 | 12.00 |
| T.US.DE040P0716 | 97.71 | 97.76 | | 97.81 | 97.49 | 24.00 |
| DEP2P | 99.90 | 99.93 | 99.93 | 99.96 | 99.85 | 4.00 |
| DEP5P | 99.21 | 99.25 | 99.25 | 99.30 | 99.11 | 12.00 |
| DEP10P | 99.20 | 99.25 | 99.25 | 99.30 | 98.95 | 30.00 |

| SYM NAME | |
|-----------|-------------|
| 2 yr CTD | German Cash |
| 5 yr CTD | |
| 10 yr CTD | |
| 2yr OTR | |
| 5yr OTR | |
| 10yr OTR | |

Y = Yield
 CTD = Cheapest to Deliver
 DE = German Country Code
 OTR = On the Run

Euro Mkt Summary: EGBs Higher, Wk H/Sales, ECB Lends at Penalty Rate

by Charanjeev Chana

EGBs were trading higher with long dates outperforming. Bunds traded higher, after US new home sales came in below expectations, although better than earlier rumours had suggested. Ahead of homes sales data, US Q2 final core PCE data and weaker than expected initial claims data weighed on Bunds in afternoon trade. Also noted for the decline, was pre-auction short setting in UST's ahead of the \$13bln 5-year note auction. EGBs opened lower on overnight weakness in JGBs following asset allocation trades out of bonds into stocks. Bunds bounced higher in morning trade on reports that the European Central Bank loaned E3.9bln at 5.00% at the 84-day Refi tender on Wednesday - the highest amount of funds issued at its penalty interest rate since October 2004. Hawkish comments by ECB President Trichet then weighed on sentiment; after he said the ECB's baseline scenario remained broadly intact despite the recent financial market turbulence. The market however pared losses ahead of afternoon trade on talk of a sharply weaker than expected outcome for August US new home sales. In supply news, the AFT announced a cut in 2007 medium-term borrowing by E5.0bln to E97.5bln - the lowest financing programme net of buybacks since 2002.

....**In the forex markets**, the dollar traded weaker against the major currencies. The EUR/USD was at 1.416 (+0.003), cable at 2.025 (+0.009) and USD/JPY at 115.48 (-0.09).

European equities were stronger in afternoon trade. The DAX was trading +0.59%, CAC 40 +0.85% and the FTSE +1.09% on the day. US stocks were also stronger with the S&P 500 +0.32% and the NASDAQ +0.34%.

Gilts were also trading higher, but underperforming trade in Europe on stronger than expected September house price data from the Nationwide. However, underpinning Gilts on Thursday was a stark warning from the OECD, which warned, "The outlook for both growth and inflation [for the UK] has now become more uncertain and there is a risk that growth will become weaker going forward, which could imply a need for interest rate reductions." The market was unchanged in wake of September CBI distributive trades data, which reported UK retail sales falling to their lowest level since last November - inline with consensus forecasts...

European Banks Tap ECB Lending Facility

By NINA KOEPPEN and NIKKI HOUSTON

September 27, 2007 7:00 a.m.

[Source: Wall Street Journal]

FRANKFURT -- Banks unexpectedly borrowed close to €3.9 billion (\$5.51 billion) in overnight funds at a penalty rate of 5.00% Wednesday, indicating that financial-market conditions remain tense, data from the European Central Bank showed Thursday.

The heavy use of the marginal lending facility -- the highest since October 2004, when banks borrowed €7.9 billion -- surprised money-market dealers, as it is regarded as lending of last resort.

WSJ Headlines

-The OECD said the **Bank of England** may have to cut its key bank rate if the recent turmoil in global financial markets has a negative impact on U.K. economic growth.

-**U.K. banks** cut lending during the third quarter and are expected to do so more sharply in the fourth quarter, a Bank of England survey found.

[Source: Wall Street Journal]



03:01 09/28 **BONDS: EGBs** are opening firmer on Friday following gains overnight in JGBs in the wake of weaker than expected Tokyo core CPI data and weakness in the Nikkei-225 -- closed down 47pts (-0.28%). Traders also noted strong buying in JGB futures overnight, buoyed by option-related buying ahead of the October JGB option expiry today. In addition, month-end duration extension buying is seen underpinning bond markets today. In addition to month-end, it is also quarter-end along with Japanese fiscal half year-end. Estimates for month-end extensions in EGBs are medium, according to early iBoxx sovereign estimates, but higher than average, whilst extension in Gilts are small. Also eyed is a raft of eurozone data, with September flash HICP and the economic sentiment and business climate indices due at 0900GMT. ECB Executive Board member Lorenzo Bini Smaghi speaks in Venice from 0730GMT. Elsewhere, plethora of Fed speakers today, which includes Lockhart (non-voter), Yellen (non-voter), Mishkin (voter) and Poole (voter).

03:23 09/28 **BUNDS:** Dec Bunds extend gains to fresh session high at 112.54 after former Fed Chairman Greenspan said "danger of US recession has risen -- less than 50/50". Resistance is now at 112.68/73 -- 55-day moving average, 23.6% of 114.98 to 112.03 move. Dec Bunds are up 26 ticks at 112.53.

(cont.)

03:39 09/28 **MONTH-END EXTENSIONS:** Estimates for month-end extensions in EGBs are medium, according to early iBoxx sovereign estimates, but higher than average, whilst extension in Gilts are small. The iBoxx Euro sovereign index extends by +0.07 yrs into Oct, given four bonds leave the index for E49.5bln vs E28.8bln leaving in Sept 2006, whilst 17 bonds totalling E44.1bln enter the index vs E47.5bln in Sept 2006. The extension at +0.07 yrs is higher than the historical average for this time of the year (+0.05 yrs), say strategists. In the UK, the iBoxx sterling index extends by around +0.01 yrs, given the 5.25% June 2012 Gilt and 4.50% Dec 2042 Gilt auctions no Gilts leaving the index. In the US, advanced estimates for the Lehman Bros month-end bond index extensions show slight +0.05 yrs extensions in Treasuries, but chunky ones in Agencies at +0.12 yrs; final index calculations will be made after markets close Friday, Sept. 28. In addition to the month-end and quarter-end, it is also Japanese fiscal half year-end on Friday.

02:54 09/28 **JGB SUMMARY:** Japanese government bonds ended Friday's session sharply higher, boosted by an overnight U.S. Treasury rally and weaker than forecast economic data. JGBs were set to open higher, but the weaker core Tokyo CPI data certainly helped give a bid to the market. Other Japanese data released in the morning was fairly positive, but traders tended to overlook strong industrial production and household spending data. City banks and public funds were buyers of the belly of the curve, with offshore accounts noted as buyers of the 10-year JGB. Month and half-year end demand also helped underpin the ultra-long end of the curve.

- Benchmark 10-year yield was 4 bps lower at 1.685%.
- Benchmark 5-year yield was 4 bps lower at 1.2175%.
- Benchmark 20-year yield was 4 bps lower at 2.185%.
- Benchmark 30-year yield was 3.5 bps lower at 2.485%.
- Lead Sept JGB futures contract was up 0.50 at 134.94.

Intrinsics & Tic for Tic Matrix'



| US Intrinsic's ^ | | | | |
|------------------|------------|---------|---------|---------|
| | M Duration | DV01 32 | DV01 \$ | DV01(€) |
| 30y | 15.53 | 5.14 | \$1,605 | € 2,277 |
| 10y | 7.79 | 2.54 | \$795 | € 1,128 |
| 5y | 4.46 | 1.43 | \$447 | € 634 |
| 2y | 1.90 | 0.61 | \$190 | € 270 |
| ZB | 9.91 | 3.57 | \$112 | € 158 |
| ZN | 5.87 | 2.07 | \$65 | € 92 |
| ZF | 3.95 | 1.36 | \$43 | € 60 |
| ZT | 1.90 | 0.63 | \$20 | € 28 |

^Futures are Based on CTD

| Tic for Tic Matrix (\$) | | | |
|-------------------------|------|-------|--------|
| | Bund | Bobl | Schatz |
| 30y | 9.87 | 17.81 | 41.92 |
| 10y | 4.89 | 8.82 | 20.76 |
| 5y | 2.75 | 4.96 | 11.67 |
| 2y | 1.17 | 2.11 | 4.97 |
| ZB | 0.69 | 1.24 | 2.92 |
| ZN | 0.40 | 1.34 | 1.69 |
| ZF | 0.26 | 0.47 | 1.11 |
| ZT | 0.12 | 0.22 | 0.51 |

| German Intrinsic's ^ | | | | |
|----------------------|------------|---------|----------|----------|
| | M Duration | DV01(€) | DV01(\$) | CF |
| Bund | 7.16 | € 231 | \$163 | 0.868738 |
| Bobl | 4.13 | € 128 | \$90 | 0.960712 |
| Schatz | 1.83 | € 54 | \$38 | 0.957701 |
| DE10Y | 7.76 | € 1,103 | \$778 | |
| DE5Y | 4.46 | € 662 | \$467 | |
| DE2Y | 2.25 | € 336 | \$237 | |

^Futures are Based on CTD

Last

EURUSD 141.85

Notes

1) CF = Conversion Factor

2) MDuration = Modified Macaulay Duration

3) MDuration & DV01s for Futures are based on proxy issue (CTD)

US Financial Futures / Eurex Bond

| | ZN | ZF | ZT |
|-----------|-------|-------|-------|
| Bund (Z) | 1.700 | 2.600 | 2.800 |
| Bobl (Z) | 0.960 | 1.450 | 1.570 |
| Shatz (Z) | 0.424 | 0.644 | 0.690 |

Bloomberg
Ratio's

US Treasuries v Eurex Bonds

| | 2y | 5y | 10y |
|-----------|-----|------|------|
| Bund (Z) | 1.7 | 3.9 | 7.1 |
| Bobl (Z) | 3.1 | 7.1 | 12.8 |
| Shatz (Z) | 7.8 | 15.9 | 28.8 |

Bloomberg
Ratio's

| | Bund (Z) | Bobl (Z) | Shatz (Z) |
|-----------|----------|----------|-----------|
| Bund (Z) | 1.00 | 1.63 | 3.85 |
| Bobl (Z) | 0.61 | 1.00 | 2.36 |
| Shatz (Z) | 0.26 | 0.42 | 1.00 |

GH Trader's
Ratio's

Note:

Bloomberg hedge ratio's are static. Meaning, I only update them once a week and on rolls. My hedge ratio's are live, meaning, they're updated in real-time. I've managed to get the Eurex to Eurex ratio's updating live as of 07/05/2007. I'll be working on Eurex to the USA ratio's soon. All matrixes are labeled GH Trader's or Bloomberg.

| US Cash Treasuries (OTR) | | | |
|--------------------------|-------|-------|-------|
| | Bid | Ask | Last |
| US2y | 3.935 | 3.931 | 3.931 |
| US5y | 4.208 | 4.207 | 4.207 |
| US10y | 4.563 | 4.559 | 4.559 |

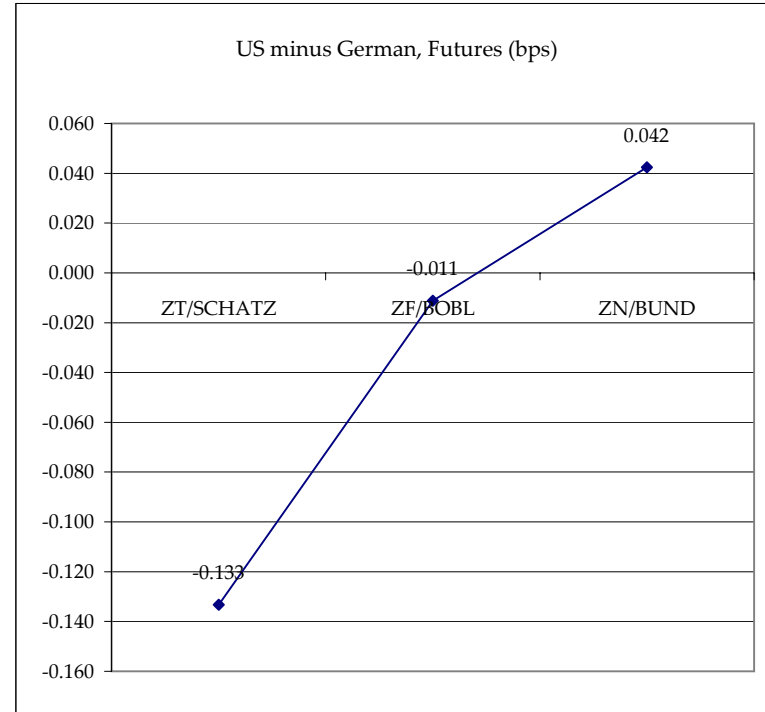
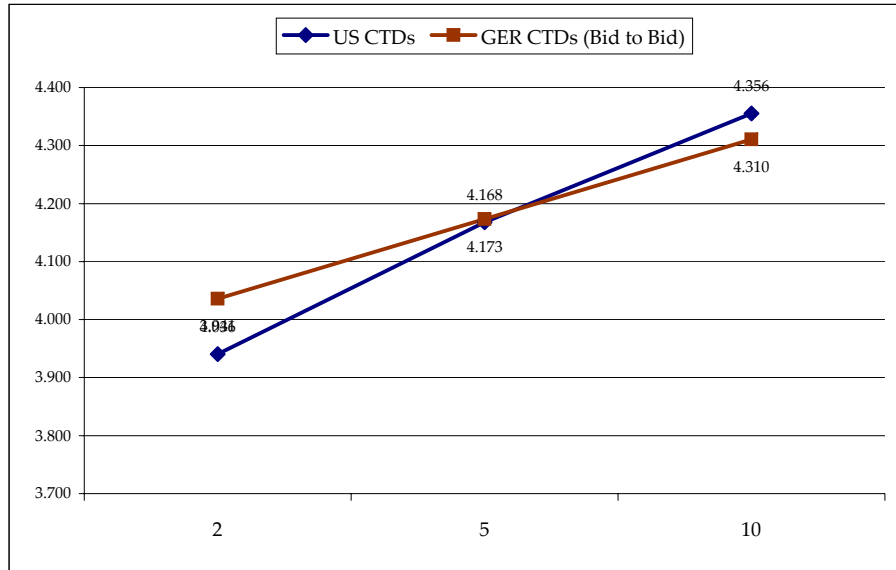
| German Cash Treasuries (OTR) | | | |
|------------------------------|-------|-------|-------|
| | Bid | Ask | Last |
| DE2y | 4.052 | 4.036 | 4.036 |
| DE5y | 4.190 | 4.180 | 4.180 |
| DE10y | 4.350 | 4.344 | 4.344 |

| Spreads | |
|-----------|--------|
| | Bps |
| ZT/SCHATZ | -0.133 |
| ZF/BOBL | -0.011 |
| ZN/BUND | 0.042 |

| US Cash Treasuries (CTD) | | | |
|--------------------------|-------|-------|-------|
| | Bid | Ask | Last |
| 4 of 09/09 | 3.941 | 3.903 | 3.903 |
| 4.625 of 02/12 | 4.168 | 4.162 | 4.162 |
| 4.25 of 08/14 | 4.356 | 4.353 | 4.353 |

| German Futures (CTD) | | | |
|----------------------|-------|-------|-------|
| | Bid | Ask | Last |
| 4.000 of 09/09 | 4.019 | 4.080 | 4.036 |
| 5.000 of 07/12 | 4.157 | 4.212 | 4.173 |
| 4.000 of 07/16 | 4.303 | 4.349 | 4.310 |

This chart shows the US futures, ZT, ZF, and ZN as a yield compared to the German Futures, the Schatz (2yr), Bobl (5yr), and Bund (10yr). Cheapest to Deliver (CTD) are used as proxies for the yields.



When does the volume trade? Between what hours of the day? These are the two questions most frequently asked, by new traders to this contract. Of course number releases pertaining to the German economy will produce volume. Past that we can look at a chart of the Bund as determine when volume occurs.

| Time | Volume | Volume |
|---------------------|--------|--------|
| | Rises | Drops |
| 1:00 AM CST | x | |
| 7:00 AM CST | x | |
| 10:00 AM CST | | x |
| 11:00 AM CST | | x |
| German Econ Release | x | |
| US Econ Release | x | |

Bond Market Characteristics

From The Treasury Bond Basis Book 3rd Edition, by Galen Burghardt

| Accrued Interest | Germany | Japan | UK |
|--------------------|---------|-------------|---------|
| Coupon (date) | Annual | semi (20th) | semi |
| Ex-dividend (days) | no | no | yes (7) |
| Accrual basis | actual | actual | actual |
| Year Basis | actual | 365 | actual |

Settlement time frame

| | | | |
|---------------|-----|-----|-----|
| Domestic | T+2 | T+3 | T+3 |
| International | T+3 | na | na |

Trading Basis

| | | | |
|--------------------|---------|--------------|---------|
| Quotation | price | simple yield | price |
| Tick | decimal | bp | decimal |
| Tax (resident) | 0 | 0 | 0 |
| Price/Yield Method | ISMA | Simple | DMO |

Repo

| | | | |
|---------------|--------|--------|--------|
| Accrual basis | actual | actual | actual |
| Year basis | 360 | 0 | 365 |

The Governing Council

Jean-Claude Trichet , President of the ECB
 Lucas D. Papademos, Vice-President of the ECB
 Lorenzo Bini Smaghi, Member of the Executive Board of the ECB
 José Manuel González-Páramo, Member of the Executive Board of the ECB
 Jürgen Stark, Member of the Executive Board of the ECB
 Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB

Axel A. Weber, President, Deutsche Bundesbank
Nout Wellink, President, De Nederlandsche Bank

Guy Quaden, Governor, Nationale Bank van België/Banque Nationale de Belgique
 Nicholas C. Garganas, Governor, Bank of Greece
 Miguel Fernández Ordóñez, Governor, Banco de España
 Christian Noyer, Governor, Banque de France
 John Hurley, Governor, Central Bank and Financial Services Authority of Ireland
 Mario Draghi, Governor, Banca d'Italia
 Yves Mersch, Governor, Banque centrale du Luxembourg
 Klaus Liebscher, Governor, Oesterreichische Nationalbank
 Vítor Manuel Ribeiro Constâncio, Governor, Banco de Portugal
 Marko Kranjec, Governor, Banka Slovenije
 Erkki Liikanen, Governor, Suomen Pankki - Finlands Bank

The Governing Council usually meets twice a month at the Eurotower in Frankfurt am Main, Germany.

At its first meeting each month, the Governing Council assesses monetary and economic developments and takes its monthly monetary policy decision. At its second meeting, the Council discusses mainly issues related to other tasks and responsibilities of the ECB and the Eurosystem.

The minutes of the meetings are not published, but the monetary policy decision is announced at a press conference held shortly after the first meeting each month. The President, assisted by the Vice-President, chairs the press conference.

The primary objective of the ECB's monetary policy is to maintain price stability.
The ECB aims at inflation rates of below, but close to, 2% over the medium term.

**EU Central Banks**

Austria, Oesterreichische Nationalbank
 Belgium, Nationale Bank van België/Banque Nationale de Belgique
 Bulgaria, Bulgarian National Bank
 Czech, Republic Česká národní banka
 Cyprus, Central Bank of Cyprus
 Denmark, Danmarks Nationalbank
 Estonia, Eesti Pank
 Éire/Ireland, Central Bank and Financial Services Authority of Ireland
 Finland, Suomen Pankki - Finlands Bank
 France, Banque de France
 Germany, Deutsche Bundesbank
 Greece, Bank of Greece
 Hungary, Magyar Nemzeti Bank
 Italy, Banca d'Italia
 Latvia, Latvijas Banka
 Lithuania, Lietuvos bankas
 Luxembourg, Banque centrale du Luxembourg
 Malta, Central Bank of Malta
 The Netherlands, De Nederlandsche Bank
 Poland, Narodowy Bank Polski
 Portugal, Banco de Portugal
 Romania, Banca Națională a României
 Slovakia, Národná banka Slovenska
 Slovenia, Banka Slovenije
 Spain, Banco de España
 Sweden, Sveriges Riksbank
 United Kingdom, Bank of England

Sept 06, 2007**Introductory statement**Jean-Claude Trichet, President of the ECB, Lucas Papademos, Vice President of the ECB Frankfurt am Main, 6 September 2007

"Ladies and gentlemen, let me welcome you to our press conference and report on the outcome of today's meeting of the ECB's Governing Council. The meeting was also attended by the President of the Eurogroup, Prime Minister Juncker, and Commissioner Almunia.

"On the basis of our regular economic and monetary analyses, we decided at today's meeting to leave the key ECB interest rates unchanged. The information that has become available since our previous meeting has confirmed that the medium-term outlook for price stability remains subject to upside risks, as identified by both our economic and monetary analyses. Incoming macroeconomic data also confirm the strong fundamentals of the euro area economy and support a favourable medium-term outlook for real GDP growth. Against this background, our monetary policy stance is still on the accommodative side with, inter alia, money and credit growth vigorous in the euro area. At the same time, the financial market volatility and reappraisal of risk of recent weeks have led to an increase in uncertainty. Given this high level of uncertainty, it is appropriate to gather additional information and to examine new data before drawing further conclusions for monetary policy in the context of our medium-term-oriented monetary policy strategy aimed at delivering price stability. Accordingly, the Governing Council will monitor very closely all developments. On the basis of our assessment, and by acting in a firm and timely manner, we will ensure that risks to price stability over the medium term do not materialise and that medium-term inflation expectations remain firmly anchored in line with price stability. This is all the more important at times of financial market volatility and increased uncertainty. As regards the financial markets, we will continue to pay great attention to developments over the period to come.

"...To sum up, a cross-check of the information identified under the economic analysis with the outcome of the monetary analysis has confirmed the existence of upside risks to price stability over the medium term – against the background of the strong fundamentals of the euro area economy. Accordingly, our monetary policy stance is still on the accommodative side with, inter alia, money and credit growth vigorous in the euro area. At the same time, given the high level of uncertainty, additional information is needed before further conclusions for monetary policy can be drawn. Accordingly, the Governing Council will monitor very closely all developments. On the basis of our assessment, and by acting in a firm and timely manner, we will ensure that risks to price stability over the medium term do not materialise and that medium-term inflation expectations remain firmly anchored in line with price stability. In the current context, it is all the more important that inflation expectations remain firmly anchored in line with price stability. As regards the financial markets, we will continue to pay great attention to developments over the period to come."

[SOURCE: The ECB]

PRESS RELEASE**6 September 2007 - Pre-announcement of supplementary longer-term refinancing operation**

The Governing Council of the European Central Bank has today decided to conduct a supplementary liquidity-providing longer-term refinancing operation with a maturity of three months.

This operation aims to support a normalisation of the functioning of the euro money market. It will be conducted in addition to the regular monthly longer-term refinancing operations, which remain unaffected.

The operation will be carried out as a variable rate tender, with no preset allotment amount. A standard tender procedure will be applied, with announcement on Tuesday, 11 September 2007, allotment on Wednesday, 12 September 2007, and settlement on Thursday, 13 September 2007. The operation will mature on Tuesday, 11 December 2007.










[SOURCE: The ECB]

Most Recent MPC Meetings:

| | King (Gov) | Lomax (Dep Gov) | Gieve (Dep Gov) | Bean | Tucker | Barker | Blanch- flower | Besley | Sent- ance | Result | Level | Vote | Dis- sent bias |
|--------|---------------|-----------------------|-----------------------|--------|--------|--------|-------------------|--------|---------------|---------------|-------|------------|----------------------|
| Aug-06 | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | unch | | | +25bps | 4.75% | 6-1 | no chg |
| Sep-06 | unch | unch | unch | unch | unch | unch | unch | unch | | unch | 4.75% | 8-0 | none |
| Oct-06 | unch | unch | unch | unch | unch | unch | unch | +25bps | +25bps | unch | 4.75% | 7-2 | tightening |
| Nov-06 | +25bps | unch | +25bps | +25bps | +25bps | +25bps | unch | +25bps | +25bps | +25bps | 5.00% | 7-2 | no chg |
| Dec-06 | unch | unch | unch | unch | unch | unch | unch | unch | unch | unch | 5.00% | 9-0 | none |
| Jan-07 | +25bps | unch | +25bps | unch | unch | +25bps | unch | +25bps | +25bps | +25bps | 5.25% | 5-4 | no chg |
| Feb-07 | unch | unch | unch | unch | unch | unch | unch | +25bps | +25bps | unch | 5.25% | 7-2 | tightening |
| Mar-07 | unch | unch | unch | unch | unch | unch | -25bps | unch | unch | unch | 5.25% | 8-1 | easing |
| Apr-07 | unch | unch | unch | unch | unch | unch | unch | +25bps | +25bps | unch | 5.25% | 7-2 | tightening |
| May-07 | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | +25bps | 5.50% | 9-0 | none |
| Jun-07 | +25bps | unch | +25bps | unch | unch | unch | unch | +25bps | +25bps | unch | 5.50% | 5-4 | tightening |
| Jul-07 | +25bps | unch | +25bps | unch | +25bps | +25bps | unch | +25bps | +25bps | +25bps | 5.75% | 6-3 | no chg |
| Aug-07 | unch | unch | unch | unch | unch | unch | unch | unch | unch | unch | 5.75% | 9-0 | none |
| Sep-07 | unch | unch | unch | unch | unch | unch | unch | unch | unch | unch | 5.75% | 9-0 | none |

Stone & McCarthy
RESEARCH ASSOCIATES

BOE HAWKOMETER (to September meeting)

| | Dissenting | | Non- | Total | Hawkishness |
|--|------------|--------|------------|-------|-------------|
| | Hawkish | Dovish | Dissenting | | |
| | Votes | Votes | Votes | Votes | Rating |
|  Sentance | 4 | 0 | 8 | 12 | 33% |
|  Besley | 4 | 0 | 9 | 13 | 31% |
|  King (Gov) | 14 | 0 | 111 | 125 | 11% |
|  Tucker | 6 | 1 | 57 | 64 | 8% |
|  Gieve (Dep Gov) | 1 | 0 | 19 | 20 | 5% |
|  Lomax (Dep Gov) | 2 | 3 | 46 | 51 | -2% |
|  Barker | 1 | 4 | 72 | 77 | -4% |
|  Bean | 0 | 5 | 80 | 85 | -6% |
|  Blanchflower | 0 | 5 | 11 | 16 | -31% |

BOE Hawkometer – A More Dovish Set of Minutes in September
by Niraj Shah

[September 6, 2007]

The Bank of England's Monetary Policy Committee today voted to maintain the official Bank Rate paid on commercial bank reserves at 5.75%.

In its August Inflation Report, the Committee's central projection was for inflation to remain close to the 2% target over the forecast period and for output growth to ease, reflecting a slowing in both consumer spending and business investment.

In recent weeks, heightened concerns about a variety of asset-backed securities have led to disruption around the world, not only in markets for those financial instruments but also in money markets more generally. The MPC's mandate is to set interest rates to meet the Government's 2% target for CPI inflation. So the Committee discussed these developments and other economic data in terms of their implications for the outlook for inflation.

CPI inflation fell back to 1.9% in July and may remain around, or a little below, the 2% target for the next few months. Pay pressures remain muted. There are tentative signs of a slowing in consumer spending. But the recent solid pace of output growth has been sustained and the margin of spare capacity appears limited. Indicators of pricing pressure remain somewhat elevated.

It is too soon to tell how far the disruption in financial markets will impair the availability of credit to companies and households. As stated in its August Report, the MPC is monitoring closely the evolution of both credit spreads and the quantities of credit extended, alongside all other data relevant to the outlook for inflation.

Against that background, the Committee judged that no change in Bank Rate was necessary at this meeting to keep inflation on track to meet the target in the medium term.

The minutes of the meeting will be published at 9.30am on Wednesday 19 September.

Note to Editors

The previous change in Bank Rate was an increase of 0.25 percentage points to 5.75% on 5 July 2007. [SOURCE: The BOE]